



Idaho Soil Conservation Commission

State Revolving Fund

scc.idaho.gov

- I. **Purpose:** The purpose of the State Revolving Fund (SRF) is provision of financial assistance to eligible applicants for the implementation of Best Management Practices which address resource concerns including (but not limited to):
 - A. Public health emergency
 - B. Public health hazard
 - C. Watershed restoration
 - D. Watershed protection
 - E. Protection of established beneficial uses

- II. **Definitions:**
 - A. **The Commission:** "The Commission" refers to the Idaho Soil Conservation Commission and shall also be known as ISCC in language of certain publications
 - B. **SRF:** The SRF, whose purpose (as noted above) is the provision of financial assistance for eligible natural resource management projects, abbreviated "SRF"
 - C. **Application:** "Application" shall heretofore reference the form SRF-01, titled *Loan Application*, as prescribed by the Commission
 - D. **Project:** The "Project" refers to the proposed implementation of Best Management Practices or other conservation implementation specified by the Application
 - E. **District:** "District" shall heretofore represent the Soil (and Water) Conservation District
 - F. **Applicant:** "Applicant" is intended to mean any corporation, association, or any other legal entity which is recognized by law as the subject of rights and duties, that submits an application for financial assistance to the Commission for review
 - G. **Borrower:** "Borrower" is any applicant who's application has been approved by the Commission and IDEQ
 - H. **NRCS:** "NRCS" refers to the USDA Natural Resources Conservation Service, formerly known as the *Soil Conservation Service*; the entity through which most contract technical assistance is provided
 - I. **IDEQ:** "IDEQ" refers to the Idaho Department of Environmental Quality; the entity through which all applications must be approved

- III. **Program Parameters:**
 - A. **Loan Specifications**
 1. Loan Amounts:
 - a) The minimum loan amount is \$500,000, unless otherwise authorized by the Commission.
 - b) There is no maximum loan amount except that established by availability of funds from IDEQ
 - c) Applicants requesting loans less than \$500,000 may be considered for approval on a case-by-case basis and may be referred to the Commission's Resource Conservation and Rangeland Development Program (RCRDP)
 2. Interest rates:
 - a) Current interest rate is four percent (4%) APR annually



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- b) A default interest of eighteen percent (18%) APR may be assessed on principle balances of past due accounts (see section VIII of policy, *Account Maintenance for specifications*)

3. Loan Terms:

- a) Loans shall have a maximum term of twenty (20) years

B. Security / Collateral

- 1. All loans shall be made on a secured basis

- 2. Loans shall be secured by real estate mortgages and chattel security

- 3. Other types of security shall be considered on a case-by-case basis

- 4. Maximum loan amount shall not exceed seventy percent (70%) of the established market value of collateral

5. Real Estate:

- a) It is preferred that land offered as collateral also be the same land to which funded practices shall be applied. Any other circumstances shall be considered on a case-by-case basis.
- b) Real estate security may consist of a first real estate mortgage, or deed of trust
- c) Title insurance shall be required, at the borrower's expense, on all real estate secured loans
- d) Applications offering a real estate mortgage as collateral must also include the most recent tax assessment of said property for evaluation
- e) A second mortgage on real estate may be utilized subject to certain standards as follows:
 - (1) Total debt on pledged real estate, shall not exceed sixty percent (60%) of the current market value of the collateral given an "as is" basis
 - (2) The first lien/mortgage/deed of trust shall be no larger than twice the amount of the second
 - (3) Second mortgages to install irrigation equipment, whether fixtures or portable, require a first lien position be obtained on said equipment
 - (i) Requires a recorded UCC-1 statement
 - (ii) Requires a properly executed severance agreement
 - (iii) Requires comprehensive insurance policy

6. Other Collateral:

- a) Chattel security may consist of a first lien on capital assets being purchased or installed with loan proceeds and/or existing capital assets
- b) Water rights owned and associated with project area
- c) In the absence of purchased and/or existing capital assets, personal guarantees may be considered in order to maintain adequate security

- C. Prioritization of Applications:** Priority will be determined according to DEQ Water Quality Pollution Control Loan Program's Guidance for Integrated Priority System; WATER QUALITY PROJECT RANKING, which is hereby incorporated into the Commission's SRF policy by reference.

- D. Ineligibility:** In certain limited instances, projects shall be ineligible for funding through SRF. Such instances include, but are not necessarily limited to:

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1. Previously implemented projects: Refinancing debt incurred by previously implemented projects is not an eligible purpose.
2. Implementation initiated prior to Commission approval: Applications shall not be approved for conservation improvements that have been implemented or where implementation has begun, prior to Commission approval.

IV. Application Guidelines

A. Required Application Materials:

1. Loan application materials may be obtained from any District, the Commission, or on the internet at scc.idaho.gov/loans.htm
2. The forms and acceptability of required statement of value shall be at the discretion of the Administrator or his/her delegates.
3. The Commission shall only consider complete Applications. Complete Applications include:
 - a) SRF Application form (SRF-01)
 - b) IDEQ's "FORM D – WATER POLLUTION CONTROL LOANS", Letter of Interest
 - c) Letter of support from area Municipality
 - d) Projected repayment plan
 - e) Credit reference letter
 - f) Financial Balance Sheet (Form SRF-02)
 - g) Federal Income Tax Form and Schedules as filed for the most recent three years
 - h) Most recent Tax assessment statement
 - i) Appropriate documentation of all necessary and appropriate Federal and State permits

B. Submission of Application Materials:

1. Applications shall be initiated in February each year
2. Before any SRF loan application is brought before the Commission for consideration, all necessary and appropriate Federal and State permit processes shall be initiated
3. All Application review deadlines shall be strictly observed

C. Technical Inspection / Requirements:

1. Applications shall not be considered without appropriate technical input to the Commission.
2. Staff inspecting application sites shall be available for input during the Commission's Application review process
3. Before any application is brought before the Commission for consideration, all necessary applications for permits must be filed or requested as appropriate

V. Application Review Procedures

- A. IDEQ Review:** All Applications shall pass IDEQ's project approval process prior to any loan approval by the Commission
- B. Commission Review:** The Commission shall meet as traditionally scheduled in odd-numbered months and shall review Applications during those meetings
- C. District Review:** While Districts do not participate in the review or approval of SRF loans, local SCD board members shall be notified of any projects to be conducted within their District.

VI. Application Disposition

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- A. Notification:** the Applicant shall be notified of their Application's disposition within five (5) business days or as otherwise appropriate according to individual circumstances
- B. Term of Commitment:**
 - 1. Loan commitment shall be valid for one (1) year from the date of the loan's approval
 - 2. If the Applicant has not begun drawing proceeds at the end of one (1) year, the commitment shall be canceled, unless extension and verification of need of funds is received in writing
 - 3. One six (6) month extension is allowed
 - 4. Use of funds on a project other than the initial approved project, requires a second project to be approved by IDEQ and the Commission
 - 5. Unused funds shall be deleted when the loan commitment expires unless verification of need of funds or reason for project delay is received in writing by the Commission.

VII. Disbursement of Funds

- A.** A loan fee shall not be charged for the initial processing and closing of an SRF loan
- B.** Funds shall not be disbursed prior to the execution and signing of all loan and security documents
- C.** Requests for additional funding may be considered, subject to the following conditions:
 - 1. Request for additional funds must be received by the Commission in writing before loan commitment expires
 - 2. Request must include an explanation of the need for additional funds
 - 3. Additional funds requested must be applied towards the initially approved project
- D. Technical Review:** All Projects must be site inspected by approved technical staff
 - 1. All necessary permits and reviews must be completed or approved prior to any disbursement, partial or otherwise
 - 2. Certification of technical adequacy of the conservation improvements must be supplied to the Commission by the provider of the technical assistance prior to disbursement of loan funds
 - 3. The applicant has the responsibility to obtain the appropriate technical assistance to ensure that the conservation improvements are properly designed and implemented
- E. Partial Disbursements:**
 - 1. Partial payments to Applicants shall be allowed if the Applicant indicates that it is so desired
 - 2. The appropriate technical entity shall judge percent completion and adherence to technical specifications and standards for partial payment purposes
 - 3. 5% of loan amount shall remain un-disbursed until project completion. Final payment will be made when project is complete and final technical review received.

VIII. Account Maintenance / Repayment of Loans

- A. Repayment:**
 - 1. Repayment of SRF loans shall be accomplished by one of two repayment plans:
 - a) Equal Principal Payment Plan: An equal sum is paid to principal on a regular basis. The annual principal payment is determined by dividing the principal amount of the loan by the number of payment periods. Accrued interest is paid to date with each periodic payment

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- b) Level Payment Plan: Loan payments remain equal for the term of the loan with principal payments increasing and interest payments decreasing each year
 - 2. A repayment plan shall be considered on each Project approved. In cases where credit or security factors necessitate a more rapid reduction of principal, the term may be decreased
 - 3. SRF loans may be prepaid in whole or in part at any time without penalty. All extra payments shall be applied to the principal balance and the regular installment is required to be paid that year.
 - 4. During the construction period, an interest-only payment shall be required every six months
- B. Extensions:**
- 1. An informal repayment extension may be granted by the Commission Administrator for a period of sixty (60) days from the due date of the installment. Extension beyond sixty (60) days shall require a written application for extension, a current balance sheet, and a signed extension agreement
 - 2. Loan term extensions may be granted only in clearly justified circumstances and for the shortest term possible
 - 3. Financial crisis situations shall be reviewed by the Commission. Loan payment, due date, and other loan stipulations may be restructured if appropriate.
- C. Non-Payment:**
- 1. A ten-day grace period shall be allowed before default interest is charged
 - 2. If the default continues past ten days, the default rate shall begin accruing on the installment and shall be retroactive to the due date of the installment
 - 3. Accounts past due ten (10) days requires the loan officer to make contact with the borrower and determine the cause of the delinquency and establish a plan for repayment
 - 4. The default rate charged on all past due balances shall be eighteen percent (18%) APR on the amount due
 - 5. Collection of payment on SRF loans shall be diligently pursued
- D. Other Considerations:**
- 1. A minimum fee of \$500 shall be charged for the processing of a partial release of collateral and other loan restructuring procedures except in cases classified under the financial crisis situation
 - 2. Authority is delegated by the Idaho Soil Conservation Commission effective March 14, 2005, to the Administrator, to act on its behalf on requests for actions relative to SRF loans
 - a) Provided an adequate loan to value margin exists, the Administrator may approve subordination agreements and partial release of mortgages, liens, and other security instruments on behalf of the Commission
 - b) Payment schedule modifications, including change of payment date, informal extensions and interest only payments may be approved by the Administrator
 - c) Other account maintenance items, such as extension of commitment period and payment arrangements for financial crisis situations may be approved by the Administrator

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- d) The Administrator will include a letter of verification to ISDA's finance section for any loans approved outside of the state policy when advancing funds.
- e) Requests for additional funding may be approved by the Administrator only if:
 - (1) Amount does not exceed \$5,000.00
 - (2) Applicant's financial portfolio supports additional obligation
 - (3) Sufficient collateral/security provides adequate loan to value margin
- 3.** Commission Members shall review policies, procedures, and interest rates applied to SRF on an annual basis
- 4.** Districts shall not be required to rank or otherwise approve any SRF application and will not be compensated as such.